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SUPREME COURT, U. S.

Supreme Court of the United States

OCTOBER TERM, 1957

Docket No. 8

MORGENSTERN CHEMICAL CO., INC.,

Petitioner,

against

G. D. SEARLE & CO.,

Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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July 9, 1958.

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DOCKET NO. 1055

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PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

The "equities" which, according to respondent's view of the opinion of the Court of Appeals, disentitle petitioner from any monetary recovery are: (1) the injunction was granted not because respondent infringed upon petitioner's trade-mark rights but solely because the public should be protected from the hazard of confusion in the matter of pharmaceuticals; (2) petitioner's business was small; (3) respondent had not "palmed off" its "Mictine" as of petitioner's manufacture; (4) there was no proof that petitioner had lost any sales by reason of respondent's non-competitive Mictine. *Respondent ignores* the findings of both courts that it was, with full knowledge of petitioner's Micturin and because respondent coveted the peculiar suitability to its product (the "congeniality") of the name which petitioner had conceived that respondent calculatingly—over petitioner's explicit protest—adopted Mictine and persisted in using it.

Petitioner respectfully submits the following comments on that exposition and on respondent's argument that accordingly petitioner has been justly denied a money recovery of any kind.

(1). *Respondent is plainly mistaken* in its primary contention that the Court of Appeals granted injunction solely in the public interest and not in protection of petitioner's private right. Agreeing expressly with the District Court's holding that Mictine and Micturin were intrinsically confusingly similar and that respondent was the simulator, the Court of Appeals said in its opinion that concurrence with that "finding of the district court . . . requires the conclusion, in the circumstances of this case, *that the defendant has infringed the rights of plaintiff in its common-law trade-name Micturin and should be restrained from further doing so*" (Petition, p. 36, emphasis supplied).

The court's discussion of the public interest was purely ancillary and addressed wholly to the rejection of the District Court's unprecedented pronouncement that the general law of trademarks did not apply to pharmaceuticals (intended for different ailments) sold on prescription only. After saying that the authorities established that it was intrinsic similarity—similarity to the "ordinary purchaser" —that controlled and that "the use of a trade mark or name in related fields" is enjoined "whether or not the products [are] actually similar or competitive" and whether or not the defendant seeks "to induce purchasers to buy his goods instead of those of the plaintiff" (at pp. 33-34), the Court added as a further argument against the exception propounded by the District Court that "the field of medical products" was especially unsuitable from exclusion from the general law because of the hazard to life and health that is entailed by confusion in that field. Plainly, that holding was purely ancillary and cumulative. The injunction was granted not because of that considera-

tion but because "the defendant has infringed the rights of the plaintiff in its common-law trade-name Micturin and should be restrained from further doing so".

(2). Equally erroneous is respondent's contention that monetary recovery was denied—and rightly so—because petitioner's sales of its MICTURIN were small. The District Court took pains to say that its conclusion was "uninfluenced by any disparity between the respective yields from the sale of plaintiff's product and that of the defendant" (Petition, p. 26). There is nothing in the opinion of the Court of Appeals to indicate that it subscribed to the oft-rejected predatory argument that the law should look away from foraging by a giant concern upon the small business man (see *L. P. Larson, Jr. Co.* v. *Wm. Wrigley Jr. Co.*, 20 F. 2d 830, modified in plaintiff's favor 277 U. S. 99 (1928); *Smith* v. *Dental Products Co. Inc.*, 140 F. 2d 140, C. A. 7th, 1944, c. d. 322 U. S. 743; *Adam Hat Stores Inc.* v. *Lefco, et al.*, 44 Fed. Sup. 442, 445, affd. 134 F. 2d 101, C. A. 3d, 1943; *San Francisco Association for the Blind* v. *Industrial Aid for the Blind, Inc.*, 152 F. 2d 532, C. A. 8th, 1943).

(3-4). It seems true that in the opinion of the Court of Appeals for the Third Circuit, an infringer of a trademark—however wilful, deliberate, calculated, prolonged, extensive and profitable his misappropriation—need not account to the wronged party for the profits from the infringement in the absence of proof of loss of sales by reason of the infringement. Thus the plaintiff's loss of income and not the infringer's gain from the latter's wrongdoing is regarded by that Court as the measure of the plaintiff's rights and of the infringer's liability.

It is because we believe that by so holding, the Court of Appeals misconceives the applicable law and contravenes the true and established course of justice that certiorari is applied for. It is significant that respondent makes

no effort to reconcile that view of the law with *Hamilton-Brown Shoe Co.* v. *Wolf Bros.*, 240 U. S. 251, 256, 269 (1916), *L. P. Larson, Jr. Co.* v. *Wm. Wrigley Jr. Co.*, *supra* and *Mishawaka Mfg. Co.* v. *S. S. Kresge Co.*, 316 U. S. 203 (1942), cited in the petition.

In relying *exclusively* on *Champion Plug Co.* v. *Sanders*, 331 U. S. 125, 131 (1947), we submit that respondent makes evident the error and injustice we assert, for, as indicated at page 10 of our petition, that case is wholly inapposite since there the product with which defendant dealt properly bore the trademark which the plaintiff itself had imprinted upon it. We do not read in the opinion in that case the generalization or formulation attributed thereto by respondent at pages 6-7 of its brief. Moreover, all that is said in the opinion must be read in conjunction with the facts to which the exposition was addressed.

Of course, *we do not maintain that in every case of infringement, an accounting for profits follows.* But we do maintain that in the absence of extenuation or laches one who deliberately and calculatingly infringes to his great profit is held by equity to have made the profits for the benefit of the owner and to owe them to the latter.

No accounting was granted to the *Champion Plug Company* because, in truth, there had been no infringement and defendant was held not guilty of any inequitable conduct (see opinion at pp. 128-130). What was added with the introductory word "Moreover" does not change the true basis of the determination.

That is made especially clear by examination of the cases cited on page 131 of the opinion as illustrating when accounting is denied. In each of those cases, there was one or more of the following circumstances which completely justified or substantially extenuated the complained of use of the trademark: defendant had the right to use the name or mark (*Rowley Co.* v. *Rowley*, 193 F. 390, 393,

C. A. 3d, 1913, where the name was defendant's own family name; *Middleby-Marshall Oven Co.* v. *Williams Oven Mfg. Co.*, 12 F. 2d 919, 921, C. A. 2d, 1926, where use was permitted by contract and the complained of extension of the use beyond the bounds set by the contract had continued, to plaintiff's knowledge, for eight years before suit); infringement was innocent (*Saxlehner* v. *Siegel-Cooper Co.*, 179 U. S. 42, 1900, *Golden West Brewing Co.* v. *Milonas & Sons*, 104 F. 2d 880, 882, C. A. 9th, 1939, *Hemmeter Cigar Co.* v. *Congress Cigar Co.*, 118 F. 2d 64, 71-2, C. A. 6th, 1941); plaintiff was barred by laches (*Middleby-Marshall Oven Co.* v. *Williams Oven Mfg. Co., supra, Golden West Brewing Co.* v. *Milonas & Sons, supra*); the *defendant's*—not plaintiff's—sales were small and thus accounting could result only in a nominal recovery (*Saxlehner* v. *Siegel-Cooper Co., supra*); the infringed trademark ("Uncle Sam") was not a name personal to or coined by the plaintiff but a "part of the national mythology not entirely unlike the flag" and thus although (as applied to toy banks) entitled to protection against infringement by injunction is not "a truly proprietary sign" (*Durable Toy & Novelty Corporation* v. *J. Chein & Co.*, 133 F. 2d 853, 854-5, C. A. 2d, 1943, cert. d. 320 U. S. 211).

In each of those cases—*in contrast to the case at bar*—there was no real or substantial inequity or iniquity in defendant's conduct. In none of them was it suggested that a wilful and calculated appropriation—despite the owner's determined and continuous and diligently prosecuted protest—of a truly distinctive trademark may be continued, without any liability to the true owner, as long as a judgment of injunction can be staved off. None of those cases, or any other decision of this Court, supports the proposition that a wilful appropriator of another's property may retain, as against the true owner, the fruits of three and one-half years of calculated and deliberate appropriation—that, as a matter of justice and equity, such a one need neither account for his profits nor be

subjected to exemplary damages nor pay the heavy litigation expenses which had to be incurred to halt at long last his infringement. The contrary, we submit, is established by *L. P. Larson Jr. Co.* v. *Wm. Wrigley Jr. Co., supra, Hamilton-Brown Shoe Co.* v. *Wolf Bros., supra, Mishawaka Mfg. Co.* v. *S. S. Kresge Co., supra, Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F. 2d 708, 717; c. d. 296 U. S. 639.

Respectfully submitted,

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July 9, 1958.